

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SS-15 NSC-05 SP-02 ICA-11
AID-05 EB-08 TRSE-00 STR-07 OMB-01 CEA-01 COME-00
H-01 CIAE-00 INR-10 NSAE-00 /091 W
-----079779 290208Z /64

R 260552Z APR 78
FM USLO PEKING
TO SECSTATE WASHDC 0524
INFO AMCONSUL HONG KONG
AMEMBASSY MOSCOW
AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 1149

E.O. 11652: GDS
TAGS: ETRD CH UR

SUBJ: SINO-SOVIET TRADE

REF: PEKING 685

1. SUMMARY. CHINESE AND SOVIETS SIGNED 1978 TRADE AGREEMENT IN MID-APRIL AFTER ABOUT SIX WEEKS OF NEGOTIATIONS, THREE MONTHS EARLIER THAN LAST YEAR. ACCORDING TO A SOVIET TRADE OFFICIAL STATIONED IN PEKING, TRADE LEVELS WILL BE "MUCH LARGER" THAN LAST YEAR'S RUBLES 248.5 MILLION IN TWO-WAY TRADE, ALTHOUGH HE DECLINED TO GIVE A PRECISE ESTIMATE. PLANNED SOVIET EXPORTS INCLUDE TRUCKS, AIRCRAFT, HELICOPTERS, FARM MACHINERY, AND ELECTRIC POWER GENERATING EQUIPMENT; CHINESE EXPORTS WILL BE MAINLY TEXTILES, LIGHT INDUSTRIAL PRODUCTS, AND FOODSTUFFS. END SUMMARY.

2. USSR TRADE DELEGATION VISITING PEKING, HEADED BY VICE MINISTER OF FOREIGN TRADE I.T. GRISHIN, CONCLUDED THE 1978 SINO-SOVIET TRADE AGREEMENT
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IN MID-APRIL AFTER ABOUT SIX WEEKS OF NEGOTIATIONS. DELEGATION RETURNED TO MOSCOW FOLLOWING A BRIEF VISIT BY TRAIN TO SOOCHOW AND SUHSI. USLO OFFICER DISCUSSED SINO-SOVIET TRADE WITH USSR EMBASSY DEPUTY TRADE REPRESENTATIVE KULIKOV ON APRIL 24.

3. KULIKOV SAID THAT ACTUAL BILATERAL TRADE IN 1977 WAS RUBLES 248.5 MILLION, CONSISTING OF RUBLES 118.5 MILLION OF SOVIET EXPORTS AND RUBLES 130.0 MILLION OF SOVIET IMPORTS. THIS COMPARES WITH A PLANNED LEVEL OF RUBLES 300 MILLION OF BALANCED TRADE. KULIKOV CLAIMED THAT TRADE LEVELS FOR 1978 WILL BE "MUCH LARGER" ALTHOUGH HE DECLINED TO GIVE A SPECIFIC ESTIMATE. AS IN THE PAST, THE NEW AGREEMENT LISTS COMMODITIES TO BE TRADED AND APPROXIMATE QUANTITIES, BUT NOT PRICES; THESE WILL BE NEGOTIATED LATER BY DELEGATIONS FROM THE SOVIET FOREIGN TRADE CORPORATIONS VISITING PEKING. (ACCORDING TO THEIR CUSTOMARY PRACTICE, THE CONTRACT NEGOTIATIONS ARE HELD IN THE SAME CAPITAL IN WHICH THE AGREEMENT WAS SIGNED I.E., EVERY YEAR THE CAPITAL ALTERNATES.)

4. SOVIET EXPORTS: COAL MINING EQUIPMENT, LIGHT TRUCKS (APPROXIMATELY 2,000 UNITS OF UP TO FIVE TONS), MEDIUM TRUCKS (APPROXIMATELY 600-800 OF UP TO 15 TONS), ANTONOV AIRCRAFT (ABOUT 5), MI-1 HELICOPTERS (T TO 7 UNITS), EARTHMOVING EQUIPMENT, AGRICULTURAL EQUIPMENT (TRACTORS, HARVESTERS, AND

MACHINERY WHICH HARVESTS SUGAR BEETS, AND CUTS AND PREPARES THE BEETS FOR PROCESSING). IN ADDITION, THE CHINESE EXPRESSED INTEREST IN 200, CONFIDENTIAL

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300, AND 500 MW THERMAL GENERATING EQUIPMENT. KULIKOV STATED THAT USSR PROBABLY WILL NOT BE PREPARED TO SELL 500 MW UNITS WHICH, HE SAID, ARE PROBABLY TOO LARGE FOR CHINESE ELECTRICAL GRID.

5. SOVIET IMPORTS: FORTY TO FIFTY PERCENT CONSISTS OF TEXTILES AND VARIOUS LIGHT INDUSTRIAL PRODUCTS. AGRICULTURAL PRODUCTS, MAINLY FRUIT, ARE ALSO IMPORTANT, BUT NO RICE IS IMPORTED. IN THE PAST, SOVIETS HAVE IMPORTED NON-FERROUS METALS, INCLUDING TIN AND ANTIMONY, BUT NOW THE PRICE QUOTED BY THE CHINESE IS FAR TOO HIGH. THE CHINESE SAID THERE WERE "PRODUCTION DIFFICULTIES" AND THEY WOULD BE ABLE PROVIDE MORE NON-FERROUS METALS IN THE FUTURE. KULIKOV CLAIMED THAT LACK OF SUITABLE CHINESE EXPORT PRODUCTS HAS PLACED A CONSTRAINT ON BILATERAL TRADE. HE ADDED THAT THE TALKS PROCEEDED SMOOTHLY; THE CHINESE WERE VERY BUSINESSLIKE AND EVEN CORDIAL, AND DID NOT RAISE ANY POLITICAL ISSUES.

6. COMMENT: KULIKOV SEEMED QUITE PLEASED THAT THE AGREEMENT WAS COMPLETED EARLIER THIS YEAR (IT

WAS SIGNED ON JULY 21 LAST YEAR AND IN LATE MAY IN
1976.) SOVIETS WILL BE SENDING DELEGATIONS TO
PEKING NEXT MONTH TO BEGIN NEGOTIATING CONTRACTS,
AND ARE HOPEFUL THAT MANY WILL BE COMPLETED BY
SUMMER. PARTICULARLY NOTEWORTHY WAS THE SALE OF
HELICOPTERS AND AIRCRAFT, WHICH WILL BE THE
FIRST THE CHINESE HAVE RECEIVED SINCE THE SECOND
HALF OF 1976. AT LEAST PART OF THE "LARGE
INCREASE" REFERRED TO BY KULIKOV WILL BE TRADE
CARRIED OVER FROM LAST YEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TREATY SIGNATURE, NEGOTIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PEKING01149
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780187-0312, D780178-0078
Format: TEL
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780415/aaaaalyh.tel
Line Count: 126
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 74ba2fa7-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 PEKING 685
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2842644
Secure: OPEN
Status: NATIVE
Subject: SINO-SOVIET TRADE
TAGS: ETRD, CH, UR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/74ba2fa7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014